

The Rising Cost of Exchange Market Data Services

The Committee on Capital Markets Regulation (the “Committee”) is concerned that the three dominant U.S. stock exchange groups—CBOE, NASDAQ and the NYSE (collectively, the “U.S. Exchange Groups”)¹—are charging excessive fees for core market data services that are increasing the cost of trading stocks for U.S. investors. Broker-dealers and investors are effectively required to purchase access to certain core market data services—including the securities information processors, proprietary data feeds and connectivity services (as detailed in the Committee’s September 2018 statement²)—to obtain the best prices available for stocks.

As noted in the Committee’s 2018 statement, the U.S. Exchange Groups fail to provide sufficient disclosures regarding their revenues or costs associated with core market data services to determine whether the fees that they are charging are excessive.³ However, in this update to the Committee’s September 2018 statement, we again examine the revenues that the U.S. Exchange Groups report from *all* market data services as a proxy for the total cost of market data services to broker-dealers and other market participants. Our review of the quarterly disclosures by the U.S. Exchange Groups from Q1 2014 to Q1 2020 finds that their collective annual revenues from market data services⁴ have increased by 62% in the five years between 2014 and 2019, from \$1.5 billion to \$2.4 billion, respectively—and 73% quarter-over-quarter growth from Q1 2014 to Q1 2020.⁵ The cost of exchange market data services are clearly significant and increasing.

We continue to believe that core market data services are sufficiently central to the efficient functioning of U.S. trading markets that the Securities and Exchange Commission (“SEC”) should require the U.S. Exchange Groups to disclose their aggregate revenues from the SIPs, proprietary data feeds and connectivity services. Additionally, the SEC should require the U.S. Exchange Groups to disclose the underlying cost of core market data services to enable the SEC and the public to determine whether the existing fees for these services are excessive and unnecessarily increasing costs for U.S. investors.

¹ NYSE is owned by Intercontinental Exchange (ICE), and BATS is owned by Chicago Board Options Exchange (CBOE).

² See COMMITTEE ON CAPITAL MARKETS REGULATION, *Stock Market Data: A Call for Transparency to Assess Impact on U.S. Investors* (September 24, 2018), <https://www.capmktreg.org/2018/09/24/committee-releases-statement-on-stock-market-data-a-call-for-transparency-to-assess-impact-on-u-s-investors/>.

³ *Id.*

⁴ We determined total revenues from “market data services” by adding revenues from any segment involved in the exchanges’ market data operations, as indicated in company filings. For ICE, revenues from ‘data services’ (divided into ‘pricing and analytics,’ ‘exchange data and feeds,’ and ‘desktops and connectivity’) were included. However, estimated ‘pricing and analytics’ revenue from Interactive Data, which ICE acquired in 2015, is excluded, as Interactive Data’s business covers a range of data products and services clearly beyond equity market data. For NASDAQ, revenues from ‘trade management services’ and ‘information services’ (divided into ‘market data,’ ‘index,’ and ‘investment data and analytics’) were included. For BATS from 2014 to 2016 and for CBOE from 2017 to 2020, revenue from ‘market data fees’ is included.

⁵ ICE data sourced from filings and investor materials at <http://ir.theice.com/annual-and-quarterly-reports/quarterly-results>. NASDAQ data sourced from filings and materials at <http://ir.nasdaq.com/annuals-proxies.cfm>. CBOE data sourced from filings and investor materials at <http://ir.cboe.com/events-and-presentations>. BATS data sourced from 10-Q filings for 2016 at <https://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001659228>, joint prospectus at <https://www.sec.gov/Archives/edgar/data/1659228/000104746916017129/a2230469zdefm14a.htm>, and 2015 S-1 filing at <https://www.sec.gov/Archives/edgar/data/1659228/000104746915009232/a2226675zs-1.htm>.

Figure 1 illustrates the relative growth in revenues from market data services for the U.S. Exchange Groups.

Figure 1

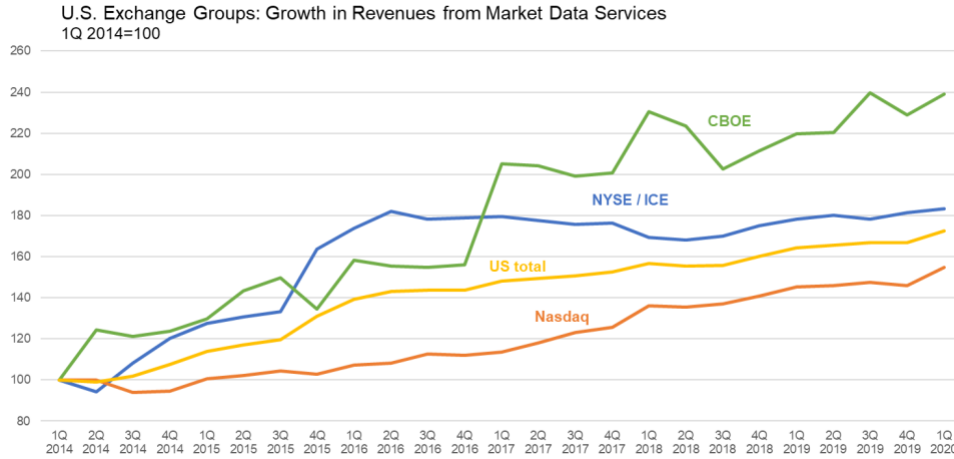
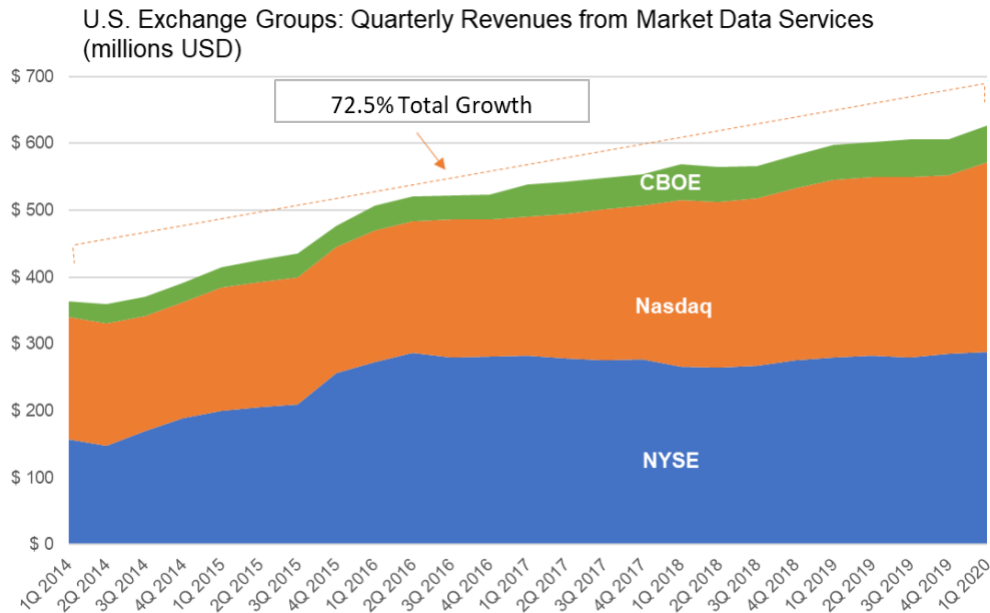


Figure 2 demonstrates the quarterly revenues that each U.S. Exchange Group derives from market data services. In Q1 2020, NYSE earned \$288 million from market data services, NASDAQ earned \$283 million, and CBOE earned \$56 million.

Figure 2



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